

Message Text

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E.O. 11652: N/A
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SUBJECT: "OFF-THE-FLOOR" SALES AND PROGRAM PLANNING

REFS: (A) UN
OC 12609, (B) MOSCOW 9201, (C) MOSCOW 8077, (D) MOSCOW
6395

1. FURTHER ANALYSIS OF DATA CONTAINED REFTEL (B) INDICATES THE
FOLLOWING:

(A) ONLY 37 PERCENT OF PARTICIPATING COMPANIES AT ELECTRO 77 HAD
SALES (7 OUT
OF 19).

(B) THREE QUARTERS OF TOTAL "OFF-THE-FLOOR-SALES," OR
USDOLS 943,100, WERE MADE BY 2 COMPANIES, BOTH
OF WHICH DID NOT HAVE ANY EQUIPMENT PHYSICALLY ON
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DISPLAY AT SHOW. SEVENTY SEVEN PERCENT OF THIS
AMOUNT (OR 57 PERCENT OF TOTAL) WAS PRENEGOTIATED (US DOLS 726,000).

(C) OF THE TOTAL "OFF-THE-FLOOR-SALES," APPROXIMATELY
66 PERCENT WAS PRENEGOTIATED (OR US DOLS 844,140).
OUR ESTIMATE IN PARA 2(D) REFTEL (B) WAS, UNFORTUNATELY,
MISLEADINGLY LOW BECAUSE ONE LARGE ORDER WAS ERRONEOUSLY

REPORTED TO US AS HAVING BEEN NEGOTIATED AT ELECTRO, WHEN IN FACT TALKS HAD GONE ON FOR SOME TIME BEFOREHAND.

(D) OF TOTAL FLOOR VALUE OF ALL SALEABLE RPT SALEABLE EQUIPMENT (APPROX. US DOLS 1,000,000), ONLY 18 PERCENT, OR APPROX. US DOLS 180,000, WAS PHYSICALLY SOLD "OFF-THE-FLOOR". AND OF THIS AMOUNT, APPROX. MAS DOLS 118,000, OR 66 PERCENT, WAS PRENEGOTIATED.

(E) THEREFORE, "OFF-THE-FLOOR" SALES, UNDER CLOSER ANALYSIS TWO WEEKS AFTER EVENT, WERE MEAGER AND BARELY PAID THE RENT.

2. OTHER COUNTRIES REPORT SIMILAR EXPERIENCES. WHILE HE GAVE NO DOLLAR AMOUNTS, WEST GERMAN COMMERCIAL SECRETARY IN TYPICAL RESPONSE SAID THAT FRG EMBASSY HAD BEEN "TERRIBLY DISAPPOINTED IN ACTUAL EXHIBIT SALES" AT ELECTRO '77.

3. IT THUS APPEARS THAT ELECTRO '77 RESULTS SQUARE SOMEWHAT WITH OUR CAUTIONARY PREDICTIONS IN EARLIER REPORTS (REFTELS (C) AND (D) OF MINOR "OFF-THE-FLOOR" SALES, AND COULD RPT COULD BE INDICATIVE OF THINGS TO COME.

4. CONCERNING USDOC COMMENT REFTTEL (A), PARA 3, OUR INTENT IN REFTELS (C) AND (D) WAS NOT TO POINT TO (POSSIBLE) DISENCHANTMENT BY U.S. FIRMS WITH SOVIET MARKET BUT RUHER TO THEIR (POSSIBLE) DISENCHANTMENT WITH SOVIET EXHIBITIONS. STATEMENTS MADE BY SOME UNCLASSIFIED

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OF OUR EXHIBITORS AT ELECTRO '77 REFLECTED THIS SAME IDEAGG U ONE MENTIONED THAT HIS COMPANY HAD SEVERAL HUNDRED THOUSAND DOLLARS WORTH OF EQUIPMENT AT SVJAZ, SOLD NOTHING, CAME TO ELECTRO WITH NO EQUIPMENT AND SOLD ALMOST US DOLS 400,000 WORTH OF EQUIPMENT. FOR FUTURE EXHIBITIONS, THIS OTM FIRM INTENDS NOT TO BRING ANY EQUIPMENT, ONLY LITERATURE AND AN ORDER PAD.Y OTHER COMPANIES, NOT ONLY FROM U.S., ECHOED THIS STATEMENT.

5. REFTTEL (A), PARA 5 - WHILE SPACE REQUIREMENTS MAY, OUT OF NECESSITY, DECLINE SOMEWHAT, CONSIDERATION SHOULD BE GIVEN TO RETENTION OF ON-SITE LUNCH FACILITY (PERHAPS ON SMALLER SCALE) SINCE USE OF EMBASSY SNACK-BAR IS OUT OF QUESTION. DEPENDING ON OTHER LOCAL FACILITIES, WOULD ALSO PRESENT HEADACHES.

6. AGREE FULLY WITH GENERAL ASSESSMENT CONTAINED REFTTEL (A), PARA 6. BY VERY NATURE OF PRODUCTS, "BIG TICKET" ITEMS WOULD BRING LARGER POTENTIAL SALES, BOTH "OFF-THE-FLOOR" AND IN LONGER TERM. HOWEVER, PROBABILITY OF SELLING SMALLER PRODUCTS "OFF-THE-FLOOR" IS GREATER, AND THEREFORE CONTINUING PROMOTION OF "SMALLER TICKET" ITEMS

WOULD CERTAINLY BE APPROPRIATE NOTWITHSTANDING OUR QUALIFIED COMMENTS ON MASHPRIBORINTORG CONTAINED REFTEL (C). AFTER ALL, MASHPRIBORINTORG IS BUT ONE -- ALBEIT AN IMPORTANT ONE -- OF MANY FTO'S ENGAGED IN BUYING AND SELLING OF SMALL TICKET ITEMS.

7. AGAIN, IT IS EXTREMELY DIFFICULT TO DRAW FIRM CONCLUSIONS FROM PAST THREE EXHIBITS -- METROLOGY, SVJAZ AND ELECTRO -- RE SOVIET EXHIBIT PURCHASE POLICY. THERE ARE SEVERAL EVENTS THIS SUMMER WHICH WILL BE MONITORED, AS WELL AS RESULTS OF CHEMISTRY. IT HARDLY NEEDS TO BE SAID THAT PARTICIPATION IN MAJOR TRADE EXHIBITIONS IN USSR REMAINS AN IMPORTANT MARKETING TOOL FOR MOST WESTERN FIRMS SERIOUSLY INTERESTED IN DOING BUSINESS WITH SOVIETS OVER LONG RUN. IN OUR VIEW, USDOC
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RECRUITMENT EFFORTS SHOULD CONTINUE TO STRESS EXCELLENT MARKET EXPOSURE AT RELATIVELY LOW COST AND POTENTIAL LONG-TERM BENEFITS, RATHER THAN "OFF-THE-FLOOR" SALES WHEN SEEKING TO CONVINCE COMPANIES TO JOIN OUR SHOWS.

8. WE WILL CONTINUE TO BE ALERT TO DEVELOPMENTS ON THIS TOPIC AND REPORT ACCORDINGLY.
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